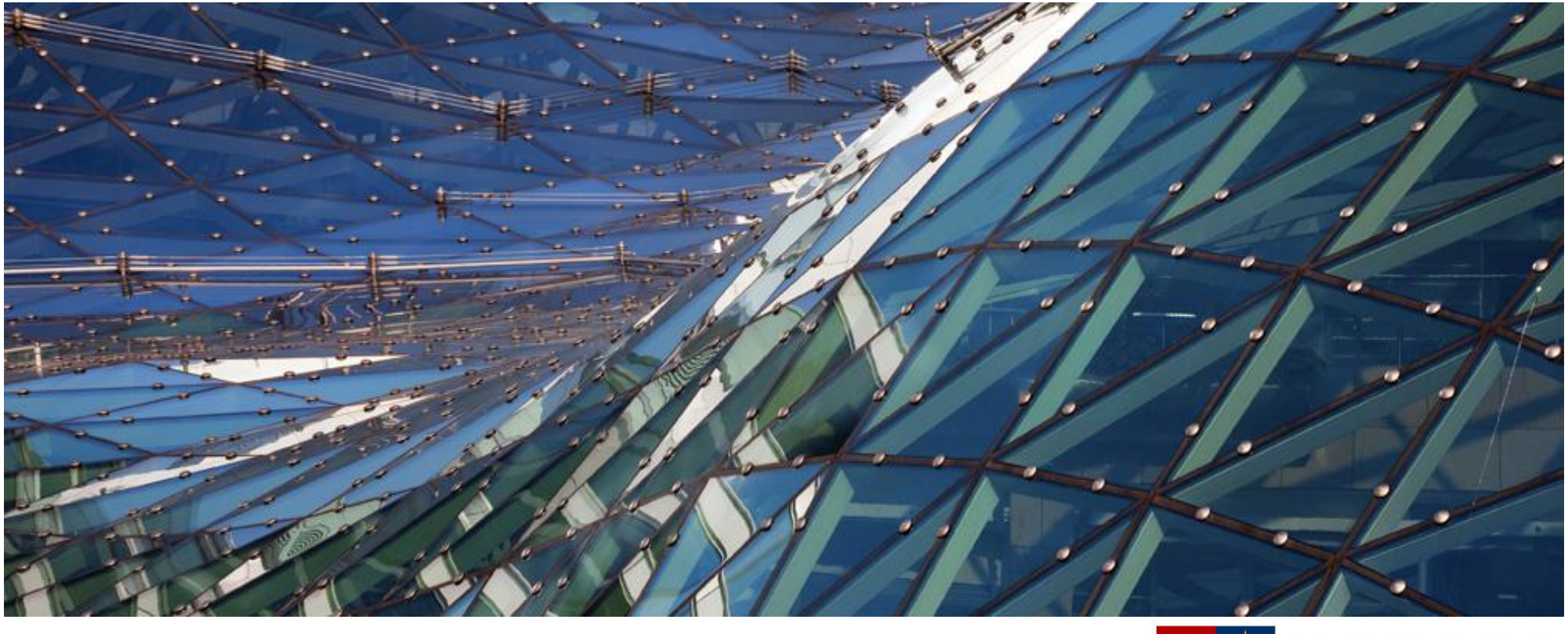
TAX COMMENTARY 2016



MAZARS

The Tax Commentary contains the highlights of Finance Bill 2016 which will be generally applicable from 01 July 2016 unless specifically specified.

The Commentary contents are our interpretation of the proposed legislation, and we strongly emphasize that reference be made to the specific wordings of the relevant statutes while considering their application to any particular scenario.

June 04, 2016

CONTENTS

Proposed Amendments

- Income Tax Law 04
- Sales Tax Law 21
- Federal Excise Law 48
- Customs Law 52

MAZARS

01 INCOME TAX LAW

Super tax for rehabilitation of temporarily displaced persons
Sec 4B

Super tax is proposed to be continued for Tax Year 2016 for rehabilitation of displaced persons. The tax is to be paid by banking companies at the rate of 4% and by all other taxpayers at 3% of income, the latter being required to pay only if income is equal to or in excess of Rs. 500 million.

Tax on builders and developers
Sec 7C and 7D

Tax at different rates is proposed to be introduced on the profits and gains from builders per square feet and developers per square yard on construction and sale of residential and commercial buildings. Such tax shall apply to projects undertaken for development and sale initiated and approved after July 01, 2016. Such tax will be treated as a final tax liability.

Income from property

Sec 15

Income from property is proposed to be taxed at progressive rates on the gross amount rather than on profits after allowable deductions in case of individuals or association of persons. Owners being companies will be taxed on profits after deductions of allowable expenses.

Deductions not allowed

Sec 21

- The scope of disallowance of deductions against income from business is extended to purchase of raw materials and finished goods if the taxes are not withheld by the taxpayers being withholding agents. However the said disallowance will not exceed 20% of such purchases claimed as expenses.

- Limit of five per cent of turnover has been established in respect of sales promotion, advertisement and publicity expenses in case of pharmaceutical manufacturers.

Depreciation allowance in exempt period
Sec 22

In case of any business being tax exempt the depreciation including initial allowance will be treated to have been allowed in case of any building, furniture, plant or machinery in the said tax years during the exemption period.

Debt securities
Sec 37A

It is proposed to clarify that derivative products include future commodity contracts entered into by the members of Pakistan Mercantile Exchange whether or not settled by physical delivery.

Group relief
Sec 59B

The loss to be surrendered under Group relief is proposed to be allowed to the extent of share capital held by the holding company of its subsidiary company.

Tax credit for investment in health insurance
Sec 62A

At present, tax credit is available on the payment of life insurance premium to resident person other than a company up to Rs. 1,500,000. A new tax credit is proposed to be allowed on payment of premium of health insurance up to 5% of taxable income for the year or Rs. 100,000 whichever is lower.

Deductible allowance for profit on debt
Sec 64A

At present, an individual is allowed deductible allowance for profit on debt on loan obtained from a scheduled bank, NBFC and listed companies for the construction of a new house or acquisition of house of Rs. 1,000,000 or 50% of taxable income whichever is lower. It is proposed to enhance the limit of deductible allowance up to Rs. 2,000,000 or 50% of taxable income whichever is lower.

Tax credit for employment generation by manufactures
Sec 64B

Tax credit is available to a company setting up a manufacturing unit till June 30, 2019 of 2% for a period of ten years for every 50 employees registered with EOBI/SESSI subject to maximum of 10%.

Deductible allowance for education expenses
Sec 64 AB

It is proposed that individuals having income less than Rs. 1,000,000 be allowed tax credits on education expenses equal to 5% of tuition fees up to Rs. 60,000 for each child per annum.

Tax credit to a person registered under the Sales Tax Act, 1990
Sec 65A

It is proposed to enhance the tax credit to 3% from existing 2.5% in case of a manufacturer registered under sales tax which undertaking is making over 90% sales to Registered Sales Tax Persons.

Tax credit for investment
Sec 65B

At present, tax credit on purchase of plant and machinery for extension, expansion, balancing, modernization and replacement is available upto June 2016. It is proposed to enhance the period to June 30, 2019. The rate of tax credit is 20% of investment in case of 100% equity or 10% in other cases.

Tax credit for enlistment
Sec 65C

At present, 20% tax credit on tax payable for enlistment in stock exchange is available for 1 year. It is proposed to extend tax credit for 2 years instead of 1 year.

Tax credit for establishing new industry and expansion of existing plant
Sec 65D and 65E

At present, 100% tax credit is allowed to a company which is establishing a new industrial undertaking or expansion of existing plant out of 100% fresh equity raised through issuance of new shares. This tax credit is allowable for five years from commercial production. It is proposed to reduce the condition of 100% fresh equity to 70% equity and tax credit would be allowed proportionately on owned new equity and not on borrowed amount. Period of tax credit is also being extended to June, 2019.

Minimum tax

Sec 113

- At present, companies declaring Gross Loss are exempt from payment of minimum tax at the rate of 1% of turnover. It is proposed that minimum tax shall also be charged on companies declaring gross loss.
- At present, minimum tax on turnover is paid by individuals and associations of person having turnover exceeding fifty million rupees. It is proposed that minimum tax at the rate of 1% of turnover be made payable by individuals and associations of person having turnover exceeding ten million rupees.

Advance tax paid by the taxpayer
Sec 147

At present, advance tax is paid on the basis of tax calculated on income or minimum tax on turnover and is required to be deposited in four installments. It is proposed that Alternate Corporate Tax also be made the basis of payment of advance tax.

Payment for foreign produced commercials
Sec 152A

It is proposed to levy final tax of 20% on non-resident persons for foreign produced commercial for advertisement on television channel or any other media

Payment for advertising services
Sec 153

It is proposed that tax deducted on payments made for advertising services to print and electronic media shall be a final tax.

Tax collected or paid or deducted as a final tax
Sec 169

Where the tax collected or deducted is final tax under any provision of the Ordinance and separate rates for filer and non-filer have been prescribed for the said tax, the final tax shall be the tax rate for filer and the excess tax deducted or collected on account of higher rate of non-filer shall be adjustable.

Cash withdrawals from a bank
Sec 231A and 236P

Withdrawals aggregating rupees fifty thousand from all the bank accounts of the person in a single day is liable for tax deductions

Advance tax on private motor vehicles
Sec 231B

It is proposed that every leasing company or institution leasing a motor vehicle to a non-filer shall collect advance tax at the rate of 3 % of the value of the motor vehicle.

Advance tax on sale or transfer of immovable property
Sec 236C, Division VIII, Part I, First Schedule.

Advance tax will be collected from the seller/transferor of immovable property who has held such property less than 5 years. Furthermore, it is also proposed to extend the holding period for taxation of capital gain on sale of immovable property from two years to five years to be charged at uniform rate of tax of 10%.

Advance tax on insurance premiums
Sec 236U

It is proposed to bind every insurance company to collect advance tax at the time of collection of insurance premium from non-filers in respect of general insurance premium and life insurance premium.

Withholding tax on mining
Sec 236V

It is proposed that a withholding tax at the rate of 5% of the value of minerals be collected from non-filers by the Department of the Provincial Government responsible for issuing licenses for extraction of minerals and collection of royalty on the extracted minerals.

Persons registered with Provincial Sales Tax Authorities
Sec 236W

It is proposed that an advance tax at the rate of 3% of turnover in case of non-filer shall be collected by Provincial Sales Tax Authorities.

Corporate Tax Rates
Division II, Part I, First Schedule

It is proposed to reduce the tax rates of companies from 32% to 31% for tax year 2017.

Exemption for Gwadar Port
Second Schedule

For operation and development of Gwadar Port and Gwadar Free Zone exemptions and concessions in accordance with the decisions of ECC and concession agreement are proposed to be granted to concession holder (China Overseas Ports Holding Company Limited) and its operating companies, businesses to be established in the Free Zone and contractors and sub-contractors of the concession holder in accordance with concession agreement.

Investment made by an individual in a Greenfield industrial undertaking
Clause 86, Part IV, Second schedule

Section 111 dealing with unexplained income is not applicable to investment made in Green Field Industrial undertakings upto 30th June, 2019.

Exemption on exports of computer software, IT services or IT enabled services
Clause 133, Part I, Second Schedule

Exemption to export of IT Services is proposed to be extended till June, 2019. The taxpayers shall be allowed to retain 20% of the proceeds outside the country for meeting expenses, and shall remit 80% to Pakistan through Banking Channel.

Employers' Annual Contribution in Provident Funds
Rule 3, Part I, Sixth Schedule
At present, employer is allowed to contribute in Provident Fund upto 1/10th of salary of an employee or Rs. 100,000 whichever is lower. Any amount exceeding this limit is treated as income of the employee. The limit is proposed to be enhanced to Rs. 150,000.

Tax Rate on Commission of Life Insurance Agents
Division II, Part IV, First Schedule

At present, Commission paid to life insurance agents is taxed at the rate of 12% for filers. The rate of tax is being reduced to 8% for filer on commission received up to Rs. 500,000.

Withholding Tax on Commercial Electricity Bills
Division IV, Part IV , First Schedule

It is proposed to increase the adjustable Withholding Tax on commercial electricity bills exceeding Rs. 20,000 per month to 12 percent. No increase is however proposed on industrial and residential electricity bills.

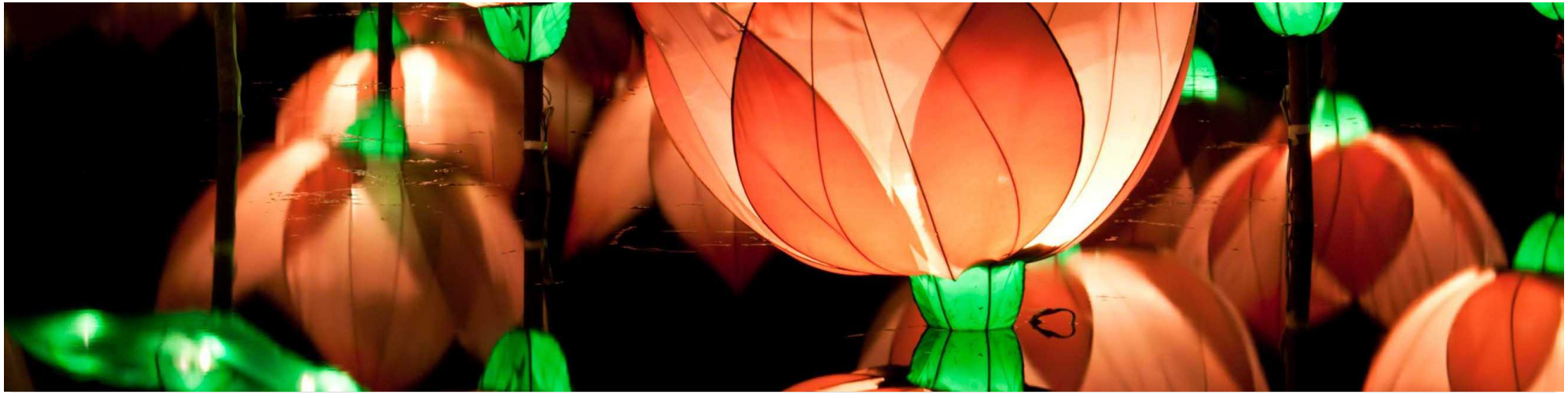
Minimum tax on Companies operating Trading Houses
Clause 57, Part IV, Second Schedule

Trading Houses were exempted from minimum tax under section 113. It is proposed to withdraw the said exemption and charge 0.5% as minimum tax.

Exemption of withholding tax on imports of raw materials and plant and machinery by manufacturers

Clause 72B, Part IV , Second Schedule

The quantity of raw material to be imported which is sought to be exempted from tax under section 148 shall not exceed 110 per cent of the quantity of raw material imported and consumed during the previous tax year. Provided also that the Commissioner shall conduct audit of taxpayer's accounts during the financial year in which the certificate is issued in respect of consumption, production and sales of the latest tax year for which return has been filed and the taxpayer shall be treated to have been selected for audit under section 214C. Provided also if the taxpayer fails to present accounts or documents to the Commissioner or the officer authorized by the Commissioner, the Commissioner shall, by an order in writing, cancel the certificate issued and shall proceed to recover the tax not collected under section 148 for the period prior to such cancellation.



02 SALES TAX LAW

Exemption threshold for cottage industry enhanced
Section 2(5AB)

For cottage industry the exemption threshold is either based on turnover exceeding Rs.5 million or utility bills (electricity, gas and telephone) exceeding Rs.700,000 during the last twelve months.

The Bill now proposes to enhance the exemption threshold limit of turnover from Rs. 5 million to Rs. 10 million per annum providing incentive to the units functioning within the cottage industry.

Broadening of the definition of Due Date for filing of sales tax return
Section 2(9)

Due date for furnishing of return “means the 15th day of the month following the end of the tax period, or such other date as the Board may, by notification in the official Gazette specify, and different dates may be specified for furnishing of different parts or annexure of the return”.

Adjustment for Provisional sales tax paid will no longer be allowed as input tax
Section 2(14)

The Bill seeks to disallow adjustment as input tax of provisional sales tax paid.

Non-allowability of Input tax
Section 7(2)(i)

Previously the clause read *"In case of a claim for input tax in respect of a taxable supply made, the person should hold a tax invoice in his name and bearing his registration number in respect of such supply for which a return is furnished"*

The bill now proposes to disallow such claim of input tax "*if the supplier has not declared such supply in his return or he has not paid amount of tax due as indicated in his return.*"

Non-Withholding of sales tax in the ambit of Assessment and Recovery of tax
Section 11

The Bill proposes to introduce a new clause 4A thereby making non-withholding of sales tax and non-deposit of sales tax withheld in the ambit of proceeding under section 11 for Assessment and Recovery of Tax.

Requirement to file separate return due to change in tax rate abolished
Section 26

The Bill proposes to abolish the Requirement to file separate return due to change in tax rate by deleting sub-section 2 of section 26.

General penalty for contravention of sales tax rules has been introduced
Section 33 serial No 19

The Bill proposes to introduce general penalty for contravention of sales tax rules at Rs 5,000 or three per cent of the amount of tax involved, whichever is higher.

- It is proposed that the sales tax on sugar will be charged at 8% instead of FED at 8%.

- It is proposed that Marble Industry will pay sales tax at Rs 1.25 per KWH of electricity consumed. This tax shall be in addition to standard sales tax @ 17% on supply of electricity as well as extra tax @ 5%.

- It is proposed to include Mineral Water in the Third Schedule.

- It is proposed to increase the sales tax on certain ingredient of poultry feed from 5% to 10%.

- It is proposed that Tier 1 retailer will have an option to either pay sales tax on standard rate after input tax adjustment or pay sales tax under turnover regime at 2% of their total turnover.

- It is proposed to grant exemption from sales tax and FED for a period of 40 years on the import and supply of materials, equipment, ship bunker oils brought and sold to ship calling on Gwadar port for the development of Gwadar Port.

- It is proposed to grant exemption from sales tax and FED for a period of 23 years to businesses to be established in Gwadar free zone.

- In order to facilitate exporter and provide a No Tax No Refund regime, textiles, carpets, leather, surgical goods and sports goods sectors are to be subjected to zero rate of sales tax including the purchase of energy by the five export oriented industry. The retail sales of locally manufactured finished goods of these sectors are subject to sales tax at 5%.

- Enhancement of fixed rate basis on steel sector, ship breakers and steel melters.

- Exclusion of Secondhand and Worn Clothing from levy of Further tax @ 2% under section 3(1A).

- It is proposed to withdraw zero rating on stationery items and on Milk.

- It is proposed to exempt sales tax on Laptops and PCs.

Addition in Third Schedule

For items under third schedule, sales tax is applicable on retail price.

S. No.	Description of goods	PCT Heading
37	Mineral/bottled water	

Withdrawal from Fifth Schedule

Goods under fifth schedule chargeable to sales tax at the rate of 0%.

S. No.	Description of goods	PCT Heading
1	Coloring sets	3213.1000
2	Writing, drawing and marking inks	3215.9010 3215.9090
3	Erasers	4016.9210 4016.9290
4	Exercise books	4820.2000
5	Pencil sharpeners	8214.1000
6	Geometry boxes	9017.2000
7	Pens, ball pens, markers and porous tipped pens	96.08
8	Pencils including color pencils	96.09
9	Milk	04.01
18	Bicycles	87.12

Addition in Sixth Schedule – Exempt from sales tax

Table 1

S. No.	Description of goods	PCT Heading
100A	Materials and equipment for construction and operation of Gwadar Port and development of Free Zone for Gwadar Port as imported by or supplied to China Overseas Ports Holding Company Limited (COPHCL) and its operating companies namely (i) China Overseas Ports Holding Company Pakistan (Private) Limited (ii) Gwadar International Terminal Limited, (iii) Gwadar Marin Services Limited and (iv) Gwadar Free Zone Company Limited, their contractors and sub-contractors; and Ship Bunker Oils bought and sold to the ships calling on/visiting Gwadar Port, having Concession Agreement with the Gwadar Port Authority, for a period of forty year,	

Addition in Sixth Schedule – Exempt from sales tax

Table 1

S. No.	Description of goods	PCT Heading
100A	subject to the following conditions and procedure, namely,– **(A). Conditions and procedure for imports.–** (i) This exemption shall be admissible only to China Overseas Ports Holding Company Limited (COPHCL) and its operating companies, their contractors and subcontractors which hold the Concession Agreement; (ii) Ministry of Ports and Shipping shall certify in the prescribed manner and format as per Annex-I that the imported materials and equipment are bonafide requirement for construction and operation of Gwadar Port and development of Free Zone for Gwadar	

Addition in Sixth Schedule – Exempt from sales tax

Table 1

S. No.	Description of goods	PCT Heading
100A	Port. The authorized officer of that Ministry shall furnish all relevant information online to Pakistan Customs against a specific user ID and password obtained under section 155D of the Customs Act, 1969 (IV of 1969). In already computerized Collectorate or Customs station, where the computerized system is not operational, the Project Director or any other person authorized by the Collector in this behalf shall enter the requisite information in the Customs Computerized System on daily basis, 8 whereas entry of the data obtained from the customs stations which have not yet been computerized shall be made on weekly basis, provided that this condition shall not apply to	

Addition in Sixth Schedule – Exempt from sales tax

Table 1

S. No.	Description of goods	PCT Heading
100A	ship bunker oils; and (iii) The goods so imported shall not be sold or disposed of without prior approval of the FBR and payment of sales tax leviable at the time of import, provided that this condition shall not apply to ship bunker oils. **(B). Conditions and procedure for local supply.–** (i) This exemption shall be admissible only to China Overseas Ports Holding Company Limited (COPHCL) and its operating companies, their contractors and subcontractors which hold Concession Agreement; (ii) for claiming exemption on goods which are	

Addition in Sixth Schedule – Exempt from sales tax

Table 1

S. No.	Description of goods	PCT Heading
100A	otherwise taxable in Pakistan, the operating companies will purchase the materials and equipment for the construction of Gwadar Port and development of Free Zone for Gwadar Port from the sales tax registered persons only; (iii) invoice of the exempt supply, containing the particulars required under section 23 of the aforesaid Act, shall for each supply be issued by the registered person to the operating company mentioning thereon that the said invoice is being issued under this notification; (iv) a monthly statement summarizing all the particulars of the supplies made in the month against invoices issued to the operating	

Addition in Sixth Schedule – Exempt from sales tax

Table 1

S. No.	Description of goods	PCT Heading
100A	companies shall be prepared in triplicate by the registered persons making the exempt supplies and shall be signed by the authorized person of the registered person. All three copies of the said signed monthly statement shall be got verified by the registered person from the person authorized to receive the supplies in the office of operating company, confirming that supplies mentioned in the monthly statement have been duly received; (v) after verification from the operating company, original copy of the monthly statement will be retained by the registered person, duplicate by the operating company and the triplicate provided by the registered	

Addition in Sixth Schedule – Exempt from sales tax

Table 1

S. No.	Description of goods	PCT Heading
100A	person to the Collector of Sales Tax having jurisdiction, by twentieth day of the month following the month in which exempt supplies to the operating companies were made; and (vi) the registered person making the exempt supplies shall keep the aforesaid record for presentation to the sales tax department as and when required to do so.	
100B	Supplies made by the businesses to be established in the Gwadar Free Zone for a period of twenty-three years within the Gwadar Free Zone, subject to the condition that the sales and supplies outside the Gwadar Free Zone and into the territory of Pakistan shall be subjected to sales tax.	

Addition in Sixth Schedule – Exempt from sales tax

Table 1

S. No.	Description of goods	PCT Heading
130	Premixes for growth stunting	
131	Laptop computers, notebooks whether or not incorporating multimedia kit	8471.3010
132	Personal computers	8471.3020
133	Pesticides and their active ingredients registered by the Department of Plant Protection under the Agricultural Pesticides Ordinance, 1971(II of 1971), stabilizers, emulsifiers and solvents, namely:–	38.03
	Xylol (xylenes)	2707.3000
	Beta Pinene / Agrotin 527 / Terpenic derivative	2902.1990
	Toluene	2902.3000
	Mixed xylene isomers	2902.4400

Addition in Sixth Schedule – Exempt from sales tax

Table 1

S. No.	Description of goods	PCT Heading
	Naphthalene	2902.9010
	Solvesso-100, 150, 200	2902.9090
	Ingredients for pesticides	2903.3040
	Cadusafos Technical Material	2903.6900
	Methanol (methyl alcohol)	2905.1100
	Propylene glycol (propane-1, 2-diol)	2905.3200
	- Adhesives Polyvinyl Acetate - Polyvinyl Alcohol	2905.4900
	Ingredients for pesticides	2906.2910
	Other Ingredients for pesticides	2906.2990
	- Solvenon MP / 1-Methoxy 2-Propanol - Methyglycol Acetate	2909.4910

Addition in Sixth Schedule – Exempt from sales tax

Table 1

S. No.	Description of goods	PCT Heading
	Methanal (formaldehyde)	2912.1100
	Cyclo-hexanone and methyl- cyclohexanones	2914.2200
	- Cyclohexanon - Cyclohexanone Mixed petroleum Xylene (1,2 & 1,3 & 1,4 dimethyl benzene and ethyle benzene)	2914.2990
	Acetic anhydride	2915.2400
	Ingredients for pesticides	2916.3920
	Dioctyl orthophthalates	2917.3200
	Ingredients for pesticides	2918.9010
	Ingredients for pesticides	2919.0010
	Other Ingredients for pesticides	2919.0090
	Endosulfan Technical Material	2920.9020

Addition in Sixth Schedule – Exempt from sales tax

Table 1

S. No.	Description of goods	PCT Heading
	Other Ingredients for pesticides	2920.9090
	Diethylamine and its salts	2921.1200
	Ingredients for pesticides	2921.4310
	Other Ingredients for pesticides	2921.4390
	Ingredients for pesticides	2921.5110
	Triethanolamine and its salts	2922.1300
	Dimethyl Formamide (DMF)	2924.1990
	Ingredients for pesticides	2924.2930
	Other Ingredients for pesticides	2924.2990
	Alpha cyano, 3-phenoxybenzyl (-) cis, trans 3-(2,2-diclord vinyl) 2,2 dimethyl cyclopropane carboxylate	2926.9010
	(S) Alpha cyano, 3-phenoxybenzyl (S)-2- (4, chloro phenyl)-3 mehtyl butyrate	2926.9020

Addition in Sixth Schedule – Exempt from sales tax

Table 1

S. No.	Description of goods	PCT Heading
	Other Ingredients for pesticides	2920.9090
	Cyano, 3-phenony benzyl 2,2,3,3 tetra methyl cyclopropane carboxalate	2926.9030
	- Cypermethrin, Alpha Cypermethrin, Beta-Cypermethrin, Zeta-Cypermethrin, Lambda Cylalothrin, Deltamethrin, Fenpropathrin, Esfenvalerate, Bifenthrin Technical Material-Acetamiprid, Imidacloprid Technical MaterialMonomehypo, Chlorothalonil Technical MaterialBromoxynil Technical Material	2926.9050
	Other nitrite compoundsCyfluthrin, Beta Cyfluthrin Technical Material	2926.9090
	2-N, N-Dimethyl amino-I sodium thiosulphate, 3-thiosulfourropane	2930.2010

Addition in Sixth Schedule – Exempt from sales tax

Table 1

S. No.	Description of goods	PCT Heading
	Ingredients for pesticides	2930.2020
	2- N,N-dimethyamino 1,3 disodium thiosulphate propane	2930.9010
	O,S-dimethyl phosphoramidothioate	2930.9020
	S-S (2 dimethyl amino (trimethylene) bis (thio carbamate)	2930.9030
	Diafethiuran technical (itertbutyl) 3-2-6 disopropyl (4-phenoxyphenyl) thiourene	2930.9040
	O-O diethyl O-(3,5,6 trichloro pyridinyl) phosphorothioate	2930.9050 2930.9070
	O-(4-bromo, 2-chloro phenyl) o-ethyl spropyl (phosphorothioate)	2930.9060
	Ingredients for pesticides	2930.9080

MAZARS

Addition in Sixth Schedule – Exempt from sales tax

Table 1

S. No.	Description of goods	PCT Heading
	Other orgonosulpher compounds - Ethion, Methamidophos Technical Material - Dimethysulfoxid	2930.9090
	Ingredients for pesticides	2931.0010
	Other Ingredients for pesticides	2931.0090
	Ingredients for pesticides	2932.2920
	2,3 Dihydro 2-2 dimethyl-7 benzo furanyl methyl-carbamate	2932.9910
	Other ingredients for pesticides - Carbosulfan Technical Material	2932.9990
	Fipronil	2933.1900
	Ingredients for pesticides	2933.3930
	Other Ingredients for pesticides	2933.3990
	Chlorpyrifos, Triazophos, Diazinon Technical Material	2933.5950

Addition in Sixth Schedule – Exempt from sales tax

Table 1

S. No.	Description of goods	PCT Heading
	Other Ingredients for pesticides	2933.5990
	Pyrimethanine	2933.6910
	Ingredients for pesticides	2933.6940
	- Atrazine Technical Material	2933.6990
	Isatin (lactam of istic acid)	2933.7910
	1-Vinyl-2-pyrrol-idone	2933.7920
	Triazophos Technical Material	2933.9910
	Ingredients for pesticides	2934.1010
	Ingredients for pesticides	2934.9920
	- Methyl benzimidazol – 2 – ylcarbamate. - Dicopper chloride trihydroxide	2938.9010
	Ingredients for pesticides	2939.9910
	Abamectin, Emamectin Technical Material	2941.9050
	Other Ingredients for pesticides	2941.9090

Addition in Sixth Schedule – Exempt from sales tax

Table 1

S. No.	Description of goods	PCT Heading
	Sulphonic acid (Soft)	3402.1110
	Other surface active agents	3402.1190
	Catonic	3402.1290
	Non ionic surface active agents	3402.1300
	Other organic surface active agents	3402.1990 3402.9000
	Chemical preparations	3824.9099
	Solvent C-9	2707.5000

Addition in Sixth Schedule – Exempt from sales tax

Table 3

S. No.	Description of goods	PCT Heading
4	Dumper trucks imported for Thar Coal Field	

Withdrawal from Sixth Schedule – Exempt from sales tax

Table 1

S. No.	Description of goods	PCT Heading
111	White crystalline sugar	1701.9910 1701.9920

Amendment in Eight Schedule – Sales Tax at specified rates

Eight Schedule

S. No.	Description of goods	Existing	Proposed
15	Ingredients of poultry feed, cattle feed, except soya bean meal of PCT heading 2304.0000 and oil-cake of cotton-seed falling under PCT heading 2306.1000	2301.2090 2301.2010 2833.2600 2923.9000	2301.1000 2301.2090 2833.2940 2923.9010

S. No.	Description of goods	Existing	Proposed
15	Ingredients of poultry feed, cattle feed, except soya bean meal of PCT heading 2304.0000 and oil-cake of cotton-seed falling under PCT heading 2306.1000	5%	10%

Amendment in Eight Schedule – Sales Tax at specified rates

Eight Schedule

S. No.	Description of goods	Existing	Proposed
15	Ingredients of poultry feed, cattle feed, except soya bean meal of PCT heading 2304.0000 and oil-cake of cotton-seed falling under PCT heading 2306.1000	5%	10%

Addition in Eight Schedule – Sales Tax at specified rates

Eight Schedule

S. No.	Description of goods	Existing	Proposed
32	White Crystalline Sugar	1701.9910 1701.9920	8%
33	Urea, whether or not in aqueous solution	3102.1000	5%

Amendment in Ninth Schedule – Sales Tax at specified rates

Ninth Schedule

S. No.	Description of goods	Existing	Proposed
2	Medium Priced Cellular Mobile Phones or Satellite Phones	500	1,000
	Smart Cellular Mobile Phones or Satellite Phones	1,000	1,500

03 FEDERAL EXCISE LAW

Excisable services

1st Schedule Table II

FED at 16% is leviable on services such as Advertisement on CCTV / Cable TV, Shipping Agents, Banking Companies, Insurance Companies, Cooperative Financing Societies, Modarabas, Musharikas, Franchise Services, Stevedores, Stock Brokers, Forex Dealers etc. Provinces and various Chambers of Commerce & Industry have demanded withdrawal of FED on such services as provinces are already charging sales tax on these services. FED on these services on which provinces are collecting sales tax is being withdrawn.

Exemptions to Concession Holder of Gwadar Port Authority

Exemption from sales tax and Federal Excise Duty to Concession Holder of Gwadar Port Authority and its operating companies, their contractors and sub-contractors for development of Gwadar Port and Gwadar Free Zone. Exemptions from sales tax and Federal Excise Duty for a period of 40 years on the import and supply of materials, equipment, ship bunker oils brought and sold to ships calling on/visiting Gwadar Port, for the development of Gwadar Port and Free Zone for Gwadar Port is being granted.

Exemptions from Federal Excise Duty to businesses established in Gwadar Free Zone

Third Schedule, Table 1

Exemption from Federal Excise Duty to businesses to be established in Gwadar Free Zone. Exemption for a period of 23 years from Federal Excise Duty is being granted to businesses to be established in Gwadar Free Zone. This exemption shall be available to sales / supplies within the Gwadar Free Zone. However, sales / supplies outside the free zone and into the territory of Pakistan shall be subjected to applicable rates of Federal Excise Duty.

Enhancement of Federal Excise Duty on cement

First Schedule, Table I, (25.23)

Cement is currently chargeable to Federal Excise Duty @ 5% of the retail price. It is proposed to replace the current regime with fixed rate basis and to charge FED on cement on fixed rate basis @ Rs. 1/kg.

FED on sugar

First Schedule, Table I, (1701.9910 and 1701.9920)

Sugar is currently chargeable to Federal Excise Duty @ 8%. It is proposed to replace this Federal Excise Duty with levy of sales at reduced sales tax rate of 8%.

04 CUSTOM LAW

- Rates of Customs Duty proposed to be applied at 3% instead of 2% and 5% slab.
- 10% and 15% slabs substitute with 11% and 16% slabs respectively.
- Concessions of custom duty for dairy, livestock and poultry sectors from 5% to 2%.
- Concessions of custom duty for fish farming, fish feed pellet (floating type) machines from 5% to 2%, fish / shrimp feed 10% & 20% to 0%.
- Exemptions from custom duty on import of premixes to prevent growth stunting (from 5 – 20 to 0%)
- Expansion in scope of exemption on renewable energy technologies
- Expansion in scope of exemption for charitable non-profit making institutions operating hospitals
- Relief on cool chain machinery.

- Extension in relief on import of solar panels till June 2017

- Exemption from customs duty and taxes on disposal of old and used ambulances imported by Edhi Foundation.

- Implementation of automotive development policy (ADP) 2016-2021.

Significant changes

S. No.	Measures	Existing CD %	Proposed CD %
1	Exemption from CD on Water Quality Testing Kits	20	0
2	Concessions of CD on local manufacturing of LED lights	20	5
3	Exemption from CD on Linear Akyl Benzene	2	0
4	Reduction in CD on raw material of PVC Resin	5	3
5	Reduction in CD on White Spirits	10	3
6	Reduction in CD on stamping foil	20	16
7	Reduction of CD on Fatty Alcohol Ethoxylate	15	5
8	Reduction in CD on CFC Free Gases	15	11
9	Reduction in CD rate for Aluminum Sheet in Coil	20	11

Significant changes

S. No.	Measures	Existing CD %	Proposed CD %
10	Reduction in CD on Thermostats of Deep-Freezers	20	3
11	Rationalization of CD on Betel nuts and Betel Leaves	10 Rs.300/kg	20 Rs.600/kg
12	Rationalization of CD on Almonds	10	20
13	Rationalization of CD Frozen Fish	10	20
14	Increase of CD on Medium Density Fiber board	15	20
15	Increase of CD on Cement Clinker	2	11
16	Increase in CD on Semi Printed/Printed Security Paper	5	16
17	Increase in CD on Live Chicken Stock and Eggs of Chicken	5	11
18	Increase in CD on Birds eggs (not in shell)	5	16

Significant changes

S. No.	Measures	Existing CD %	Proposed CD %
19	Removal of RD from Bead Wire for Tyres Manufactures	RD 19	0
20	Removal of RD from Carbon Steel Strips used by Razor blade manufactures	RD 17.5	0
21	Levy of RD on Powered Milk	20	20+25RD
22	Levy of RD on Whey Powder	20	20+25RD

Expansion in scope of exemption on renewable energy technologies
2nd Schedule, 8541.4000, 8504.4090,9032.8990, 8507.0000

Custom duty on items for promotion of renewable technologies or for conservation of energy has been withdrawn.

Expansion in scope of exemption for charitable non-profit making institutions operating hospitals
1st Schedule, 9914

Custom duty on imports by charitable non profit making institutions operating hospitals of fifty beds or more; subject to the following conditions:

- the importing institution operating a hospital of fifty beds or more shall furnish a proof thereof to the satisfaction of respective Collector of Customs.
- the head of the importing institution or hospital shall furnish an undertaking in writing to the respective Collector of Customs to the effect that imported goods are bona fide requirement of the project or for in house use and these shall not be sold, utilized or disposed of otherwise than for the purpose for which the same have been imported and binds itself to pay the leviable duty and taxes in the event of breach of the undertaking.

- The undertaking furnished by the hospital must be certified by the Ministry of National Health Services Regulations and Coordination (NHSRC)
- In case of private sector institutions or hospitals accountability of the goods shall be ensured by the Board of Trustees and proof thereof shall be furnished to the satisfaction of respective Collector of customs on demand.

Relief on cool chain machinery
2nd Schedule, respective heads

Cool chain machinery, equipment including capital goods are subject to 3% to 5% of custom duty subject to the conditions that such equipment are imported by Cool Chain industry.